

VILLISCA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Villisca Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education
(Before September 2007 Election)**

John A. Baker	President	2007
Marvin Smith	Vice President	2009
Daniel Sorensen	Board Member	2009
Jason Poston	Board Member	2008
Blaine Sunderman	Board Member	2008

**Board of Education
(After September 2007 Election)**

John A. Baker	President	2010
Marvin Smith	Vice President	2009
Daniel Sorensen	Board Member	2009
Jason Poston	Board Member	2008
Blaine Sunderman	Board Member	2008

School Officials

Teresa Nook	Superintendent	2008
Jessie Forsythe	District Secretary/ Treasurer	2008
Jeff Millholin and Drew Bracken	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Villisca Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Villisca Community School District, Villisca, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Villisca Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2009 on our consideration of the Villisca Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of

inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Villisca Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Villisca Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,524,162 in fiscal 2007 to \$3,431,103 in fiscal 2008, while General Fund expenditures increased from \$3,528,408 in fiscal 2007 to \$3,635,583 in fiscal 2008. The result is a decrease in the District's General Fund balance from of \$404,273 in fiscal 2007 to a balance of \$199,793 in fiscal 2008, a decrease of 50.58% from the prior year.
- Board approval of \$110,000 of Local Option Sales and Service Tax income toward payment of outstanding General Obligation Bond indebtedness helps reduce the property tax rate for patrons.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Villisca Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Villisca Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Villisca Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Villisca Community School District Annual Financial Report

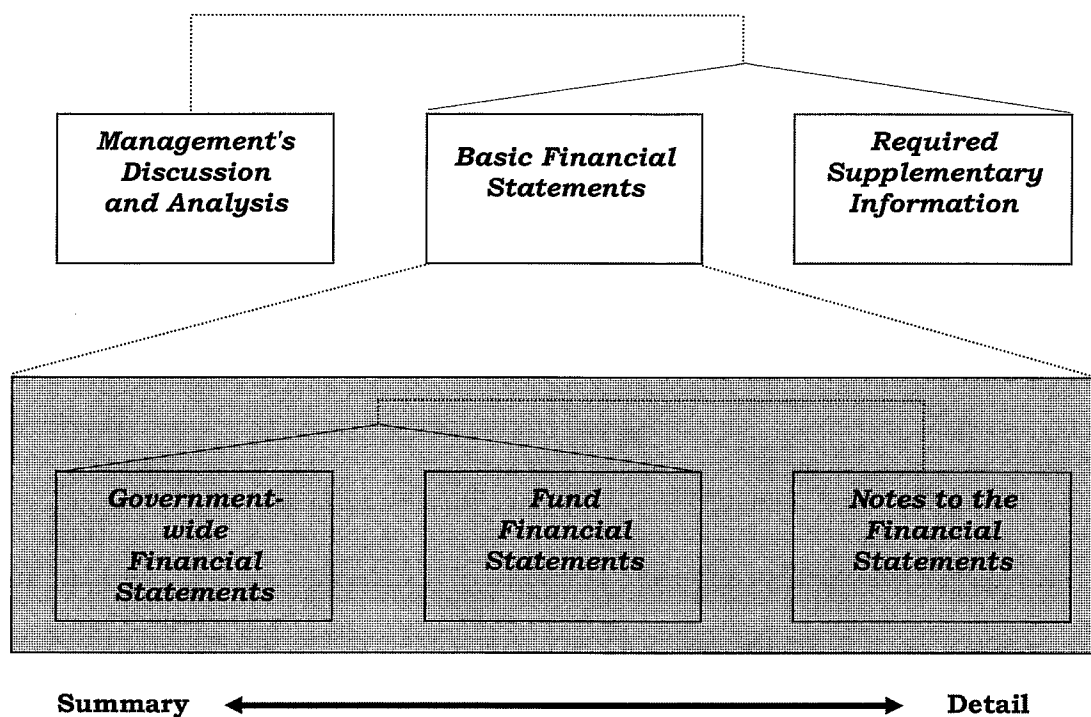


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects, and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 5,773,026	5,817,338	15,101	20,508	5,788,127	5,837,846	-0.85%
Capital assets	3,756,497	3,780,243	37,324	24,196	3,793,821	3,804,439	-0.28%
Total assets	9,529,523	9,597,581	52,425	48,875	9,581,948	9,642,285	-0.63%
Long-term obligations	4,730,000	4,870,000	0	0	4,730,000	4,870,000	-2.87%
Other liabilities	1,863,716	1,802,772	1,530	1,433	1,865,246	1,804,205	3.38%
Total liabilities	6,593,716	6,672,772	1,530	1,433	6,595,246	6,674,205	-1.18%
Net assets:							
Invested in capital assets, net of related debt	1,208,163	1,092,700	37,324	24,196	1,245,487	1,116,896	11.51%
Restricted	1,584,466	1,436,305	0	0	1,584,466	1,436,305	10.32%
Unrestricted	143,178	395,804	13,571	19,075	156,749	414,879	-62.22%
Total net assets	2,935,807	2,924,809	50,895	43,271	2,986,702	2,968,080	0.63%

The District's combined net assets increased by 0.63%, or \$18,622, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$148,161 or 10.32% over to the prior year. The increase was primarily a result of controlled spending in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$258,130 or 62.22%.

Figure A-4 shows the changes in net assets for the years ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 306,519	263,934	99,100	98,304	405,619	362,238	11.98%
Operating grants and contributions and restricted interest	553,485	532,544	100,415	90,075	653,900	622,619	5.02%
General revenues:							
Local tax	1,450,375	1,477,932	0	0	1,450,375	1,477,932	-1.86%
Local option sales and service tax	225,437	242,524	0	0	225,437	242,524	-7.05%
Unrestricted state grants	1,584,073	1,666,071	0	0	1,584,073	1,666,071	-4.92%
Other	161,866	194,238	55	65	161,921	194,303	-16.67%
Transfers	(11,159)	0	11,159	0	0	0	0.00%
Total revenues	4,270,596	4,377,243	210,729	188,444	4,481,325	4,565,687	-1.85%
Program expenses:							
Governmental activities:							
Instructional	2,540,572	2,533,307	0	0	2,540,572	2,533,307	0.29%
Support services	1,225,986	1,155,894	0	0	1,225,986	1,155,894	6.06%
Non-instructional programs	3,515	277	203,105	186,494	206,620	186,771	10.63%
Other expenses	489,525	476,965	0	0	489,525	476,965	2.63%
Total expenses	4,259,598	4,166,443	203,105	186,494	4,462,703	4,352,937	2.52%
Changes in net assets	10,998	210,800	7,624	1,950	18,622	212,750	-91.25%
Net assets beginning of year	2,924,809	2,714,009	43,271	41,321	2,968,080	2,755,330	7.72%
Net assets end of year	\$ 2,935,807	2,924,809	50,895	43,271	2,986,702	2,968,080	0.63%

In fiscal 2008, local tax and unrestricted state grants account for 70.87% of the revenue from governmental activities while charges for services and operating grants and contributions account for 94.68% of the revenue from business type activities.

The District's total revenues were approximately \$4,481,325 of which \$4,270,596 was for governmental activities and \$210,729 was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 1.85% decrease in revenues and a 2.52% increase in expenses. The increase in expenses was a result of the increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$4,270,596 and expenses were \$4,259,598. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 2,540,572	2,533,307	0.29%	1,818,633	1,872,832	-2.89%
Support services	1,214,827	1,155,894	5.10%	1,214,118	1,155,189	5.10%
Non-instructional	3,515	277	1168.95%	3,515	277	1168.95%
Other expenses	500,684	476,965	4.97%	363,328	341,667	6.34%
Totals	\$ 4,259,598	4,166,443	2.24%	3,399,594	3,369,965	0.88%

- The cost financed by users of the District's programs was \$306,519.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$553,485.
- The net cost of governmental activities was financed with \$1,450,375 in local tax, \$225,437 in local option sales and service tax, \$1,584,073 in unrestricted state grants, \$144,846 in interest income, and \$17,020 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$210,729 and expenses were \$203,105. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and capital contributions.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Villisca Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,895,617, from last year's ending fund balances of a \$4,005,512.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Reduction in tax levy along with a decrease in grant revenues allowing total revenues to decrease for the year.
- The Activity fund and Expendable Trust fund combined balance decreased from \$234,610 in 2007, to \$224,306 in 2008, due to decreased in revenues in the activity fund as compared to 2007.
- The Management Fund balance increased from \$229,699 in 2007 to \$242,401 in 2008. The revenues exceeded expenditures for the fund, thus guaranteeing the increase in fund balance during the year.
- The Physical Plant and Equipment Levy Fund (PPEL) balance decreased from \$270,824 to \$247,579.
- The District's Capital Projects Fund increased from \$638,973 in 2007, to \$691,789 in 2008, due to a decrease in expenditures during the current year.

- **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$43,271 at June 30, 2007 to \$50,895 at June 30, 2008, representing an increase of approximately 17.62%.

During fiscal year 2008, the District chose not to increase prices for meals for the School Nutrition Fund. Even though prices remained steady, the Nutrition Fund balance still increased during the year. This was attributable to the District receiving more in local and federal source income (commodities and reimbursable meals) as compared to fiscal year 2007. This increase was more than enough to offset the increase in expenditures for the fund during the year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$30,986 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in local source revenues than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$3,793,821, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.28% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$151,763.

The original cost of the District's capital assets was \$5,890,764. Governmental funds account for \$5,721,201 with the remainder of \$169,563 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. This category totaled \$9,565 at June 30, 2007, compared to \$6,458 reported at June 30, 2008. This decrease resulted from the current year depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2007	2007	2007-08
Land	\$ 18,650	18,650	0	0	18,650	18,650	0.00%
Buildings	3,529,418	3,554,271	0	0	3,529,418	3,554,271	-0.70%
Land Improvements	6,458	9,565	0	0	6,458	9,565	-32.48%
Machinery and equipment	201,971	197,757	37,324	24,196	239,295	221,953	7.81%
Total	\$ 3,756,497	3,780,243	37,324	24,196	3,793,821	3,804,439	-0.28%

Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$4,730,000 in general obligation bonds. This represents a decrease of 2.87% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 4,730,000	4,870,000	-2.87%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Although the District has experienced declining enrollment for a few years, the District expects the enrollment to remain stable.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) was in the first year of a ten-year phase out.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jessie Forsythe, District Board Secretary/Business Manager, Villisca Community School District, 406 E 3rd St., Villisca, Iowa, 50864.

BASIC FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,851,320	10,255	1,861,575
U.S. Treasury Securities on deposit with escrow agent	2,181,666	0	2,181,666
Receivables:			
Property tax:			
Delinquent	27,425	0	27,425
Succeeding year	1,506,528	0	1,506,528
Income surtax	51,482	0	51,482
Accounts	1,184	0	1,184
Due from other governments	153,421	0	153,421
Inventories	0	4,846	4,846
Capital assets, net of accumulated depreciation(Note 4)	3,756,497	37,324	3,793,821
Total Assets	9,529,523	52,425	9,581,948
Liabilities			
Accounts payable	6,405	10	6,415
Salaries and benefits payable	312,994	0	312,994
Accrued interest payable	37,789	0	37,789
Deferred revenue:			
Succeeding year property tax	1,506,528	0	1,506,528
Unearned revenues	0	1,520	1,520
Long-term liabilities(Note 5):			
Portion due within one year:			
General obligation bonds	155,000	0	155,000
Portion due after one year:			
General obligation bonds	4,575,000	0	4,575,000
Total Liabilities	6,593,716	1,530	6,595,246
Net Assets			
Invested in capital assets, net of related debt	1,208,163	37,324	1,245,487
Restricted for:			
Talented and gifted	12,778	0	12,778
Market factor	3,078	0	3,078
Market factor incentives	2,970	0	2,970
Management levy	242,401	0	242,401
Physical plant & equipment levy	299,061	0	299,061
Capital projects	691,789	0	691,789
Debt service	108,083	0	108,083
Other special revenue purposes	224,306	0	224,306
Unrestricted	143,178	13,571	156,749
Total Net Assets	\$ 2,935,807	50,895	2,986,702

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,418,954	47,292	387,516	(984,146)	0	(984,146)
Special instruction	541,847	86,021	21,931	(433,895)	0	(433,895)
Other instruction	579,771	173,206	5,973	(400,592)	0	(400,592)
	<u>2,540,572</u>	<u>306,519</u>	<u>415,420</u>	<u>(1,818,633)</u>	<u>0</u>	<u>(1,818,633)</u>
Support services:						
Student services	97,079	0	0	(97,079)	0	(97,079)
Instructional staff services	107,131	0	0	(107,131)	0	(107,131)
Administration services	452,996	0	0	(452,996)	0	(452,996)
Operation and maintenance of plant services	346,880	0	0	(346,880)	0	(346,880)
Transportation services	210,741	0	709	(210,032)	0	(210,032)
	<u>1,214,827</u>	<u>0</u>	<u>709</u>	<u>(1,214,118)</u>	<u>0</u>	<u>(1,214,118)</u>
Non-instructional services	<u>3,515</u>	<u>0</u>	<u>0</u>	<u>(3,515)</u>	<u>0</u>	<u>(3,515)</u>
Other expenditures:						
Facilities acquisitions	37,291	0	0	(37,291)	0	(37,291)
Long-term debt interest	234,137	0	0	(234,137)	0	(234,137)
AEA flowthrough	137,356	0	137,356	0	0	0
Depreciation (unallocated)*	91,900	0	0	(91,900)	0	(91,900)
	<u>500,684</u>	<u>0</u>	<u>137,356</u>	<u>(363,328)</u>	<u>0</u>	<u>(363,328)</u>
Total governmental activities	<u>4,259,598</u>	<u>306,519</u>	<u>553,485</u>	<u>(3,399,594)</u>	<u>0</u>	<u>(3,399,594)</u>
Business-Type activities:						
Non-instructional programs:						
Nutrition services	203,105	99,100	100,415	0	(3,590)	(3,590)
Total business-type activities	<u>203,105</u>	<u>99,100</u>	<u>100,415</u>	<u>0</u>	<u>(3,590)</u>	<u>(3,590)</u>
Total	<u>\$ 4,462,703</u>	<u>405,619</u>	<u>653,900</u>	<u>(3,399,594)</u>	<u>(3,590)</u>	<u>(3,403,184)</u>
General Revenues And Transfers:						
General Revenue:						
Local tax for:						
General purposes				\$ 1,180,312	0	1,180,312
Debt services				177,202	0	177,202
Capital outlay				92,861	0	92,861
Local option sales and service tax				225,437	0	225,437
Unrestricted state grants				1,584,073	0	1,584,073
Unrestricted investment earnings				144,846	55	144,901
Other				17,020	0	17,020
Transfers				(11,159)	11,159	0
Total general revenues and transfers				<u>3,410,592</u>	<u>11,214</u>	<u>3,421,806</u>
Changes in net assets				10,998	7,624	18,622
Net assets beginning of year				<u>2,924,809</u>	<u>43,271</u>	<u>2,968,080</u>
Net assets end of year				<u>\$ 2,935,807</u>	<u>50,895</u>	<u>2,986,702</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments	\$ 411,976	621,740	104,590	713,014	1,851,320
U.S. Treasury Securities on deposit with escrow agent	0	0	2,181,666	0	2,181,666
Receivables:					
Property tax:					
Delinquent	21,853	0	3,493	2,079	27,425
Succeeding year	1,210,974	0	182,850	112,704	1,506,528
Income surtax	0	0	0	51,482	51,482
Accounts	722	0	0	462	1,184
Due from other governments	83,372	70,049	0	0	153,421
Total Assets	\$ 1,728,897	691,789	2,472,599	879,741	5,773,026
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 5,136	0	0	1,269	6,405
Salaries and benefits payable	312,994	0	0	0	312,994
Deferred revenue:					
Succeeding year property tax	1,210,974	0	182,850	112,704	1,506,528
Income surtax	0	0	0	51,482	51,482
Total liabilities	1,529,104	0	182,850	165,455	1,877,409
Fund balances:					
Reserved for:					
Debt service	0	0	2,289,749	0	2,289,749
Talented and gifted	12,778	0	0	0	12,778
Market factor	3,078	0	0	0	3,078
Market factor incentives	2,970	0	0	0	2,970
Unreserved:					
Designated for cash flow	220,000	0	0	0	220,000
Undesignated	(39,033)	691,789	0	714,286	1,367,042
Total fund balances	199,793	691,789	2,289,749	714,286	3,895,617
Total Liabilities and Fund Balances	\$ 1,728,897	691,789	2,472,599	879,741	5,773,026

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds(page 15)	\$ 3,895,617
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,756,497
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(37,789)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	51,482
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,730,000)</u>
Net assets of governmental activities(page 13)	<u>\$ 2,935,807</u>

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,108,736	225,437	177,202	161,198	1,672,573
Tuition	133,313	0	0	0	133,313
Other	53,880	20,738	89,206	177,221	341,045
State sources	1,987,685	0	133	79	1,987,897
Federal sources	143,688	0	0	0	143,688
Total revenues	3,427,302	246,175	266,541	338,498	4,278,516
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	1,414,648	0	0	14,180	1,428,828
Special instruction	541,847	0	0	0	541,847
Other instruction	429,045	0	0	160,009	589,054
	2,385,540	0	0	174,189	2,559,729
Support services:					
Student services	96,639	0	0	440	97,079
Instructional staff services	85,669	0	0	17,462	103,131
Administration services	432,359	0	0	20,637	452,996
Operation and maintenance of plant services	306,139	0	0	37,164	343,303
Transportation services	188,806	0	0	29,529	218,335
	1,109,612	0	0	105,232	1,214,844
Non-instructional:					
Food Service	0	0	0	440	440
Community service and education operation	3,075	0	0	0	3,075
	3,075	0	0	440	3,515
Other expenditures:					
Facilities acquisitions	0	83,359	0	17,872	101,231
Long-term debt:					
Principal	0	0	140,000	0	140,000
Interest and fiscal charges	0	0	235,537	0	235,537
AEA flowthrough	137,356	0	0	0	137,356
	137,356	83,359	375,537	17,872	614,124
Total expenditures	3,635,583	83,359	375,537	297,733	4,392,212
Excess(deficiency) of revenues over(under) expenditures	(208,281)	162,816	(108,996)	40,765	(113,696)
Other financing sources(uses):					
Transfers in	0	0	171,612	0	171,612
Transfers out	0	(110,000)	0	(61,612)	(171,612)
Sale of equipment	3,801	0	0	0	3,801
Total other financing sources(uses)	3,801	(110,000)	171,612	(61,612)	3,801
Net change in fund balances	(204,480)	52,816	62,616	(20,847)	(109,895)
Fund balances beginning of year	404,273	638,973	2,227,133	735,133	4,005,512
Fund balances end of year	\$ 199,793	691,789	2,289,749	714,286	3,895,617

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ (109,895)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 118,828	
Depreciation expense	<u>(142,574)</u>	(23,746)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 3,239

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Repaid		140,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

	<u>1,400</u>
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Changes in net assets of governmental activities (page 14)	<u>\$ 10,998</u>
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VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 10,255
Inventories	4,846
Capital assets, net of accumulated depreciation(Note 4)	<u>37,324</u>
Total Assets	<u>52,425</u>
Liabilities	
Accounts payable	10
Unearned revenues	<u>1,520</u>
Total Liabilities	<u>1,530</u>
Net Assets	
Invested in capital assets	37,324
Unrestricted	<u>13,571</u>
Total Net Assets	<u><u>\$ 50,895</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 88,428
Other local revenue	<u>10,672</u>
TOTAL OPERATING REVENUES	<u>99,100</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	66,841
Benefits	9,047
Services	2,503
Supplies	115,525
Depreciation	<u>9,189</u>
TOTAL OPERATING EXPENSES	<u>203,105</u>
OPERATING LOSS	<u>(104,005)</u>
NON-OPERATING REVENUES:	
Interest	55
State sources	2,244
Federal sources	<u>98,171</u>
TOTAL NON-OPERATING REVENUES	<u>100,470</u>
Change in net assets before capital contributions	(3,535)
Capital contributions	<u>11,159</u>
Change in net assets	7,624
Net assets beginning of year	<u>43,271</u>
Net assets end of year	<u><u>\$ 50,895</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 88,515
Cash received from miscellaneous operating activities	10,672
Cash payments to employees for services	(75,888)
Cash payments to suppliers for goods or services	(109,352)
Net cash used in operating activities	<u>(86,053)</u>
Cash flows from non-capital financing activities:	
State grants received	2,244
Federal grants received	88,644
Net cash provided by non-capital financing activities	<u>90,888</u>
Cash flows from investing activities:	
Interest on investments	<u>55</u>
Cash flows from capital financing activities:	
Purchase of assets	<u>(11,158)</u>
Net increase in cash and cash equivalents	(6,268)
Cash and cash equivalents at beginning of year	<u>16,523</u>
Cash and cash equivalents at end of year	<u><u>\$ 10,255</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (104,005)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Commodities consumed	9,527
Depreciation	9,189
Increase in inventories	(861)
Increase in accounts payable	10
Increase in unearned revenue	87
Net cash used in operating activities	<u><u>\$ (86,053)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ 10,255</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$9,527.

During the year ended June 30, 2008, the Nutrition Fund received contributed capital of \$11,159 from the Special Revenue: Physical Plant and Equipment Levy.

SEE NOTES TO FINANCIAL STATEMENTS

VILLISCA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Villisca Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Villisca, Iowa, and the predominate agricultural territory in Adams, Montgomery, Page and Taylor Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Villisca Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Villisca Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams, Montgomery, Page and Taylor County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets. The value of the United States Treasury Securities on deposit with the escrow agent as part of the crossover refunding bond issue has been added to the invested in capital assets, net of related debt.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Capital Assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Designated Cashflow - In the governmental fund financial statements, the District's board designated \$220,000 of the General Fund's unreserved balance for cashflow purposes.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 689,728</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The U.S. Treasury Securities are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Securities and Certificates of deposit are stated at fair value. Securities traded on a national or international exchange are valued the last reported sales price at current exchange rates.

At June 30, 2008, the District had investments in U.S. Treasury Securities and Certificates of Deposit maturing in over one year as follows:

	Fair Value
U.S. Treasury Securities	\$ 2,181,666

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 110,000
	Special Revenue:	
	Physical Plant and	
Debt Service	Equipment Levy	61,612
Total		\$ 171,612

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 76,710	92,853	0	169,563
Less accumulated depreciation	52,514	79,725	0	132,239
Business-type activities capital assets, net	\$ 24,196	13,128	0	37,324

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 18,650	0	0	18,650
Total capital assets not being depreciated	<u>18,650</u>	<u>0</u>	<u>0</u>	<u>18,650</u>
Capital assets being depreciated:				
Buildings	4,737,302	63,940	0	4,801,242
Land improvements	109,264	0	0	109,264
Machinery and equipment	903,300	54,888	166,143	792,045
Total capital assets being depreciated	<u>5,749,866</u>	<u>118,828</u>	<u>166,143</u>	<u>5,702,551</u>
Less accumulated depreciation for:				
Buildings	1,183,031	88,793	0	1,271,824
Land improvements	99,699	3,107	0	102,806
Machinery and equipment	705,543	50,674	166,143	590,074
Total accumulated depreciation	<u>1,988,273</u>	<u>142,574</u>	<u>166,143</u>	<u>1,964,704</u>
Total capital assets being depreciated, net	<u>3,761,593</u>	<u>(23,746)</u>	<u>0</u>	<u>3,737,847</u>
Governmental activities capital assets, net	<u>\$ 3,780,243</u>	<u>(23,746)</u>	<u>0</u>	<u>3,756,497</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 3,425
Other	4,766
Support services:	
Instructional staff services	4,000
Operation and maintenance of plant services	3,577
Transportation	34,906
Unallocated depreciation	<u>91,900</u>
Total governmental activities depreciation expense	<u>\$ 142,574</u>
Business-type activities:	
Food services	<u>\$ 9,189</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 4,870,000	0	140,000	4,730,000	155,000

On December 1, 2005, the District issued \$2,235,000 of general obligation refunding bonds, with interest rates ranging from 3.75% to 4.00%, for a crossover refunding of a portion of the general obligation bonds issued May 1, 2000. The District entered in to an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$2,180,000 principal on the refunded general obligation bonds when they become callable on May 1, 2011 and on the interest from December 1, 2005 to May 1, 2011 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished. Annual debt service requirements to maturity of the general obligation refunding bonds are as follows:

Year Ending June 30,	Interest Rate	Bond issue dated May 1, 2000			
		Principal	Interest	Total	
2009	6.00	% \$ 155,000	139,450	294,450	
2010	5.85	160,000	130,150	290,150	
2011	5.25	170,000	120,790	290,790	
2012	5.30	180,000	111,865	291,865	
2013	5.35	185,000	102,325	287,325	
2014-2018	5.40-5.65	1,105,000	346,653	1,451,653	
2019-2020	5.70-5.75	540,000	47,020	587,020	
Subtotal		\$ 2,495,000	998,253	3,493,253	

Year Ending June 30,	Interest Rate	Bond issue dated December 1, 2005			
		Principal	Interest	Total	
2009	-	% \$ 0	87,285	87,285	
2010	-	0	87,285	87,285	
2011	4.00	185,000	87,285	272,285	
2012	4.00	195,000	79,885	274,885	
2013	4.00	200,000	72,085	272,085	
2014-2018	3.75-3.90	1,130,000	238,220	1,368,220	
2019-2020	3.85-4.00	525,000	31,800	556,800	
Subtotal		\$ 2,235,000	683,845	2,918,845	
Total		\$ 4,730,000	1,682,098	6,412,098	

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll. Contribution requirements are

established by State for the years ended June 30, 2008, 2007, 2006 statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$133,168, \$122,412, and \$118,768, respectively, equal to the required contributions for each year.

(7) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: dental.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2008 were \$11,691.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

Villisca Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$137,356 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis

(9) Deficit Fund Balance

At June 30, 2008, The General Fund had a deficit undesignated fund balance of \$39,033.

(10) Subsequent Events

Effective, July 1, 2008, the New Market Community School District was closed. Due to the dissolution, the property of the District was divided between Bedford, Clarinda, Villisca, and Corning Community School Districts.

(11) Financial Condition

The General Fund had deficit net assets of \$39,033 as of June 30, 2008.

REQUIRED SUPPLEMENTAL INFORMATION

VILLISCA COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,146,931	99,155	2,246,086	2,139,233	2,139,233	106,853
State sources	1,987,897	2,244	1,990,141	2,036,867	2,036,867	(46,726)
Federal sources	143,688	98,171	241,859	271,000	271,000	(29,141)
Total revenues	4,278,516	199,570	4,478,086	4,447,100	4,447,100	30,986
Expenditures:						
Instruction	2,559,729	0	2,559,729	3,353,792	3,353,792	794,063
Support services	1,214,844	0	1,214,844	1,298,321	1,298,321	83,477
Non-instructional programs	3,515	203,105	206,620	220,300	220,300	13,680
Other expenditures	614,124	0	614,124	881,105	881,105	266,981
Total expenditures	4,392,212	203,105	4,595,317	5,753,518	5,753,518	1,158,201
Excess(deficiency) of revenues over(under) expenditures	(113,696)	(3,535)	(117,231)	(1,306,418)	(1,306,418)	1,189,187
Other financing sources, net	3,801	11,159	14,960	105	105	15,170
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(109,895)	7,624	(102,271)	(1,306,313)	(1,306,313)	1,204,357
Balance beginning of year	4,005,512	43,271	4,048,783	3,609,439	3,609,439	439,344
Balance end of year	\$ 3,895,617	50,895	3,946,512	2,303,126	2,303,126	1,643,701

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTAL INFORMATION

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2008

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total
Assets					
Cash and pooled investments	\$ 240,874	46,181	247,285	178,674	713,014
Receivables:					
Property tax:					
Current year delinquent	1,411	0	668	0	2,079
Succeeding year	72,000	0	40,704	0	112,704
Income surtax	0	0	51,482	0	51,482
Accounts	462	0	0	0	462
Total Assets	\$ 314,747	46,181	340,139	178,674	879,741
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 346	549	374	0	1,269
Deferred revenue:					
Succeeding year property tax	72,000	0	40,704	0	112,704
Income surtax	0	0	51,482	0	51,482
Total liabilities	72,346	549	92,560	0	165,455
Fund Balances:					
Unreserved fund balances	242,401	45,632	247,579	178,674	714,286
Total Liabilities and Fund Balances	\$ 314,747	46,181	340,139	178,674	879,741

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2008

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total
REVENUES:					
Local sources:					
Local tax	\$ 71,576	0	89,622	0	161,198
Other	14,558	144,995	8,258	9,410	177,221
State sources	54	0	25	0	79
TOTAL REVENUES	86,188	144,995	97,905	9,410	338,498
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	9,480	0	0	4,700	14,180
Other instruction	0	160,009	0	0	160,009
	9,480	160,009	0	4,700	174,189
Support services:					
Student support services	440	0	0	0	440
Instructional staff services	440	0	17,022	0	17,462
Administration services	7,152	0	13,485	0	20,637
Operation and maintenance of plant services	37,164	0	0	0	37,164
Transportation services	18,370	0	11,159	0	29,529
	63,566	0	41,666	0	105,232
Non-instructional:					
Food Service	440	0	0	0	440
Other expenditures:					
Facility acquisition	0	0	17,872	0	17,872
TOTAL EXPENDITURES	73,486	160,009	59,538	4,700	297,733
Excess(deficiency) of revenues over(under) expenditures	12,702	(15,014)	38,367	4,710	40,765
Other financing uses:					
Transfers out	0	0	(61,612)	0	(61,612)
Excess(deficiency) of revenues over(under) expenditures and other financing uses	12,702	(15,014)	(23,245)	4,710	(20,847)
Fund balances beginning of year	229,699	60,646	270,824	173,964	735,133
Fund balances end of year	\$ 242,401	45,632	247,579	178,674	714,286

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama club	596	3,620	4,052	164
Music boosters	1,831	382	969	1,244
Track	(50)	2,151	2,101	0
Golf	0	825	825	0
Football	0	9,633	9,633	0
Volleyball	3,116	6,042	5,109	4,049
Athletics	0	1,444	1,444	0
Basketball	10,265	8,468	12,121	6,612
Activity tickets	1,021	2,803	3,661	163
Softball/baseball	(140)	5,914	6,094	(320)
Y-teens	4,073	10,476	12,693	1,856
FFA	3,659	24,595	25,506	2,748
Student activity pop	3,655	2,273	600	5,328
Science club	1,144	10,467	9,944	1,667
Cheerleaders	1,088	2,534	3,439	183
Student council	1,156	2,713	2,968	901
JH boosters	139	125	34	230
Destination Image	0	526	60	466
T.O.U.C.H	383	0	383	0
Annual staff	1,234	5,557	5,202	1,589
Dance team	5,007	5,767	5,224	5,550
Elementary club K-6	9,759	2,999	9,754	3,004
National Destination Image	526	0	526	0
National honor society	0	1,099	799	300
Class of 2007	861	0	861	0
Class of 2008	1,088	1,279	2,367	0
Class of 2009	146	14,024	13,564	606
Class of 2010	230	1,592	773	1,049
Class of 2011	32	1,066	624	474
Class of 2012	(6)	124	123	(5)
Class of 2013	(29)	104	176	(101)
Class of 2014	0	0	45	(45)
Interest	3,948	1,804	156	5,596
Secondary student club	5,914	14,589	18,179	2,324
Total	\$ 60,646	144,995	160,009	45,632

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

VILLISCA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 1,672,573	1,713,306	1,618,303	1,610,022	1,492,769
Tuition	133,313	78,454	58,162	45,031	97,588
Other	341,045	379,718	339,455	212,189	226,065
State sources	1,987,897	2,030,310	1,936,781	1,734,318	1,719,088
Federal sources	143,688	168,305	200,758	232,005	175,949
Total	\$ 4,278,516	4,370,093	4,153,459	3,833,565	3,711,459
Expenditures:					
Instruction:					
Regular instruction	\$ 1,428,828	1,428,324	1,594,716	1,380,388	1,235,610
Special instruction	541,847	533,797	438,880	459,736	569,350
Other instruction	589,054	569,932	426,302	437,493	371,371
Support services:					
Student services	97,079	89,149	107,231	76,683	78,347
Instructional staff services	103,131	75,244	51,932	43,227	50,223
Administration services	452,996	445,301	509,316	444,100	434,571
Operation and maintenance of plant services	343,303	333,064	317,474	261,083	265,591
Transportation services	218,335	230,966	222,208	197,724	198,894
Central services	0	0	0	0	4,286
Non-instructional:					
Food service	440	277	277	254	233
Community service & education operations	3,075	0	0	31,943	29,319
Other expenditures:					
Facilities acquisitions	101,231	106,132	93,679	104,824	51,122
Long Term Debt:					
Principal	140,000	135,000	130,000	120,000	115,000
Interest	235,537	243,635	200,120	171,350	178,150
AEA flow-through	137,356	135,298	127,217	120,890	124,144
Total	\$ 4,392,212	4,326,119	4,219,352	3,849,695	3,706,211

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Villisca Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Villisca Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 11, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Villisca Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Villisca Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Villisca Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Villisca Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Villisca Community School District's financial statements that is more than inconsequential will not be prevented or detected by Villisca Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Villisca Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all

significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Villisca Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Villisca Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Villisca Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Villisca Community School District and other parties to whom Villisca Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Villisca Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2009

VILLISCA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement them as soon as possible.

Conclusion - Response accepted.

I-B-08 Private Purpose Trust Fund - Individuals Receiving Checks - We noted during our audit that students were receiving checks from the Private Purpose Trust for scholarships. When the checks were issued, they were issued to the individual student only.

Recommendation - When the District issues a check to the student for scholarships, the check should be issued to the college, where the student is attending and the individual student, once the student has supplied proof of college attendance to the District.

Response - We have already implemented changes to make sure that students do not receive scholarship funding directly. Checks are issued to the college where the student is attending (checks are issued once the student has provided proof of college attendance to the District).

Conclusion - Response accepted.

VILLISCA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed amounts budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dick Wright, substitute bus driver Owner of Wrights Parts & Service	Repairs, supplies	\$604
Lisa Kernan, Teacher Spouse owns Granny's Auto Parts	Repairs	\$1,003

In accordance with Attorney's General Opinion dated July 2, 1990, the above transactions with the above individuals do not appear to represent a conflict of interest.

In accordance with Attorney's General Opinion dated November 9, 1976, the above transactions with the Board Member spouses do not appear to represent a conflict of interest

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2007 was overstated. The District's certified enrollment count included 1 extra resident student on line 1. This resulted in overstating the total actual enrollment at line 7 by 1 student.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We have contacted the Department of Education and the Department of Management concerning the variance in the student count. Funding adjustments will occur on the 2010 Aid and Levy worksheet.

Conclusion - Response accepted.

II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-08 Financial Condition - The General Fund had deficit net assets of \$39,033 as of June 30, 2008.

Recommendation - The District should investigate alternatives to eliminate the deficit in the General Fund.

Response - We will investigate alternatives to eliminate the deficit.

Conclusion - Response accepted.